

Public Agenda Item #13b

Review, Discussion and Consideration of the Rules of the Board of Trustees, Texas Administrative Code, Title 34, Part IV, Required Rule Reviews and Amendments to:

Chapter 85 (Flexible Benefits)

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Chapter 85 (Flexible Benefits)

Background



- The proposed amendments will expand the voluntary benefits available to active employees under the State of Texas Employees Flexible Benefit Program, TexFlexSM.
 - TexFlexSM is a flexible spending arrangement (FSA) funded by pre-tax salary contributions that are used to reimburse participants for health and day care expenses.
 - ERS expanded the voluntary benefits to include a Qualified Transportation Fringe Benefits (QTFB) plan. Through a QTFB plan, employees can use pre-tax dollars to pay for qualified expenses associated with their daily commute such as mass transportation or parking fees.
 - A further expansion of benefits is needed in response to the legislative charge of HB966 from the 84th Texas Legislature which requires ERS to offer employees the option to enroll in a consumer directed health plan (CDHP).

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Background



- Effective September 1, 2016, ERS will offer the Consumer Directed HealthSelectSM, the voluntary High Deductible Health Plan (HDHP) and the Health Savings Account (HSA) benefit option.
 - The HSA is a different type of pre-tax health account than a health care FSA, although both are used to reimburse certain qualifying medical expenses.
 - Under the Internal Revenue Code, an employee may contribute to both the HSA and the FSA under the provision that the FSA must limit reimbursements to qualifying dental, vision and orthodontia expenses incurred during the benefit plan year.
 - This is considered a limited purpose FSA or LFSA.

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Background



- The LFSA works the same way as the general purpose health care reimbursement account:
 - Contributions are made on a qualified, pre-tax basis.
 - The “use it or lose it” provision is enforced so that any funds in excess of the \$500 carryover limit are forfeited to the plan.
 - Expenses must occur within the plan year.
- By providing the LFSA to limit FSA reimbursement, participants remain eligible to participate in both the LFSA and the HSA. Participating in both plans allows participants to maximize potential savings and tax benefits.

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Amendments



- § 85.1 (Introduction and Definitions) – Add a definition for a general purpose health care reimbursement account and for a limited purpose health care reimbursement account.
- § 85.3 (Eligibility and Participation) – Amend to allow participants in the CDHP to participate only in the limited purpose FSA program in conformance with the Internal Revenue Code. Any monetary balance remaining in an FSA account on August 31 of a plan year or any carryover that might otherwise be permitted for an employee who chooses to enroll in the CDHP for the following plan year would go into a limited purpose FSA, subject to IRS maximums or be forfeited.

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Amendments - Continued



- § 85.5 (Benefits) – Clarify that only qualifying dental and vision expenses may be reimbursed through a limited purposed FSA.

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- Notice of the proposed amendments to Chapter 85 was published in the April 1, 2016 issue of the *Texas Register* (41 TexReg 2465).
- The deadline for receiving comments was Monday, May 2, 2016. ERS did not receive any comments on the proposed amendments to § 85.1, 85.3 and 85.5.

Questions?